

# TENNESSEE REGULATORY AUTHORITY

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Deborah Taylor Tate, Chairman  
Pat Miller, Director  
Sara Kyle, Director  
Ron Jones, Director



460 James Robertson Parkway  
Nashville Tennessee 37243-0505

February 6, 2004

Mr Archie Hickerson  
AGL Resources, Inc  
Location 1686, P O Box 4569  
Atlanta, GA 30307

RE Docket No 04-00034 – Petition of Chattanooga Gas Company for Approval of  
Adjustment of Its Rates and Charges and Revised Tariff

Dear Mr Hickerson

After reviewing your petition, we have discovered that certain additional information is needed to complete the application. Please provide the following information, an original and thirteen (13) copies, addressed to

Deborah Taylor Tate, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

- 1 If material to the LDC's cost or level of service in Tennessee, please provide a comprehensive discussion of all abnormal conditions or changes in condition that (a) occurred during the last three years or (b) are reasonably anticipated to occur up to the anticipated hearing date in this case. Explain how these changes will affect the LDC's Tennessee operations going forward. The discussion should include, but not be limited to the following:
  - a Management changes
  - b Operational changes
  - c Administrative changes
  - d Recent or pending mergers, consolidations, or acquisitions
  - e Major changes in sales or transportation volumes
  - f Pending negotiations for possible changes in sales or transportation volumes to any current or prospective commercial or industrial customer
  - g Changes in pipeline allocations

h Labor contracts and/or Union problems  
1 Expenses

- 2 State the effect that each of the applicable changes discussed in Item 1 has had or will have on the LDC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, revenues, expenses, rate base, and capital structure, including the LDC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, method of allocating each change among its regulated, unregulated, and jurisdictional operations
- 3 Provide a current organizational chart for the LDC and, if applicable, its Parent, Multi-State Utility, or Affiliated Utility Service Company, showing for each officer (or any other key personnel) of the LDC, its Parent, Multi-state Utility, or Affiliated Utility Service Company (a) the department(s) they head, and (b) to whom they report, from department or office level up Only officers and key personnel, all or some portion of whose compensation is sought to be recovered from Tennessee ratepayers, must be included in the chart
- 4 Provide copies of all rate case orders for the LDC, its Parent, Multi-State Utility, or Affiliated Utility Service Company issued since the LDC's last rate case or within the past three (3) years, whichever time is shorter
- 5 Provide a detailed Trial Balance for the last two (2) fiscal years for the LDC, its Parent, Multi-State Utility, and Affiliated Utility Service Company, by month, by account, including adjusting entries and post-closing balances
6. If not provided in response to other items, provide the latest fiscal year-end Income Statement and Balance Sheet for the LDC, its Parent, Multi-State Utility, and Affiliated Utility Service Company Provide an explanation of any differences in the year-end Income Statement and Balance Sheet for the LDC, its Parent, Multi-State Utility, and Affiliated Utility Service Company as set forth in its Annual Report to shareholders and its internal financial statements
- 7 Provide a detailed list of all the LDC's affiliated party transactions for the past two years, including the nature and amount of each transaction
- 8 Please provide support for **all** statistics referenced in all testimony filed by the LDC in this case

#### **REVENUES (EXCLUDING MERCHANDISE AND JOBBING)**

- 9 Identify the LDC's twenty-five (25) largest customers, based on volumes delivered, for the latest fiscal year If the LDC projects a material change in the volumes delivered or rates charged to any such customer, provide a mailing address, contact person, telephone number, and the following information for each customer

- a Transportation and sales volumes by tariff and by month for the last three (3) fiscal years for each customer, including the step volume information for the appropriate classification
- b Copies of all correspondence and notes of discussion or meetings with these customers regarding their anticipated usage from the test period through the attrition period

## **EXPENSES**

- 10 For all NARUC or FERC accounts 700 through 932, show the gross and net expense after deducting salaries and wages, by month, since the lesser of (a) the last three (3) fiscal years or (b) the filing date of the last rate case. Also, provide the same information projected for the attrition year
- 11 Provide a schedule showing by month, for the last two (2) fiscal years through the test period, identifying the amount and percentage of total payroll capitalized on a total Company, total LDC, and Tennessee only basis. Provide a detailed calculation of the percentage used to capitalize payroll for the attrition period
- 12 For the test period and attrition period, provide detailed workpapers supporting the calculation of the life insurance expense, long-term disability, hospitalization and medical expenses, and other miscellaneous employee insurance expenses. Show the total and capitalized amounts. Provide actual rates for the benefits that the LDC pays. Provide the amounts that the employee contributes for these benefits
- 13. Provide a liability and property insurance schedule for the test period, identifying the policies in effect, the type of coverage, the coverage period, the annual premiums, the amount included as an expense, the account charged, the beneficiaries and the allocation used. Also, provide the same information for those policies currently in effect and any anticipated changes in policies through the attrition period. Where applicable, provide the name of the insurance company with a contact person and telephone number
- 14 Does the LDC have a written policy regarding non-base pay compensation or stock options? If so, please provide a copy of this policy. Were any amounts paid or accrued during the test period? If so, please provide a schedule of employees, showing the amount paid or accrued and the basis of the calculation. Provide the same information for the attrition period
- 15 Provide a detailed analysis of advertising expense for the test period. Provide and discuss the LDC's projected advertising expenses from the end of the test period through the attrition period. For each month, identify the amount of advertising classified as follows
  - a Institutional
  - b Conservation
  - c Informational
  - d Promotional

e Promotional for the sale of appliances

16. Provide a schedule identifying all directors of the LDC, its Parent, Multi-state Utility, or Affiliated Utility Service Company, dates of meetings attended, and the amount of directors' fees attributable to each meeting for each month of the test period. Identify the account to which these fees are booked.
17. Provide the amount of direct and allocated charges to the LDC from its Parent, Multi-State Utility, or Affiliated Utility Service Company, by account, for each month of the test period and the projected amount for each month of the attrition period.
18. Provide the amount of each lobbying expense, charitable contribution, social club membership and athletic event paid by its Parent, Multi-State Utility, or Affiliated Utility Service Company and allocated to the LDC for each month of the test period and included in costs to be recovered in regulated rates. Provide the same information and breakdown for any amounts paid directly by the LDC and included in costs to be recovered in regulated rates. Identify the accounts charged for each amount.
19. Provide a detailed itemization of the rate case costs by law firm and rate case consultant.
20. Please identify any changes since the last Tennessee rate case in the Long-Term Incentive Plan ("LTIP") criteria for compensation. Further, identify the amount and account charged for the LTIP in the test period and the attrition year.

## TAXES

21. Provide copies of the following tax returns (state and federal) for the most recent three (3) tax years:
  - a Tennessee Gross Receipts Tax Returns
  - b Tennessee Franchise and Excise Tax Returns
  - c Property tax statement Tennessee Ad Valorem Tax Report
  - d Employer's Quarterly Federal Tax Returns (Form 941)
  - e Employer's Annual Federal Unemployment Tax Return (Form 940)
  - f Employer's Quarterly Contribution Report to the Tennessee Department of Employment Security
22. Provide the following Federal Income Tax data for the Tennessee Operations for the test year and the attrition year:
  - a The calculation of the LDC's federal income tax expense. The calculated amount should reconcile to the amount reported on the Tennessee PSC 3.03 surveillance reports.
  - b A detailed calculation of the permanent book and tax differences.
  - c A detailed calculation of the temporary book and tax differences.

- d Operating federal income taxes deferred – accelerated depreciation
  - e Federal income taxes – operating
  - f Income credits resulting from prior deferrals of federal income taxes
- 23 Provide a reconciliation of book to taxable income and a calculation of the federal income tax expense on a total Company, total LDC, and Tennessee only basis for the test period and for the attrition period
- 24 Provide the unemployment tax rate presently being paid, broken down into state and federal rates, and any anticipated change in the state unemployment rate

#### **RATE BASE (EXCLUDING WORKING CAPITAL)**

- 25 Provide monthly plant additions and retirements by account number for the last three (3) fiscal years to include the test period. Please break down plant additions into normal or special projects, as defined below
- a Normal construction requirements should be considered to include the needs created through normal system expansion, such as serving residential areas, shopping areas, old home conversions, replacements of tools and work equipment, transportation equipment, etc
  - b Special construction requirements should be considered to arise from extensive replacement of old facilities which cannot be foreseen, major expansion projects such as industrial parks, system improvements such as change from low pressure to high pressure required because of changing delivery patterns, and changes required by government action such as street improvement and relocation, community and neighborhood development, bridge replacement, etc. These requirements should be considered to be outside the control of the LDC
  - c For the last three (3) fiscal years, identify any contributions in aid of construction
- 26 Break down budgeted plant additions between normal and special projects, using the criteria defined above, for the months between the end of the last fiscal year and the end of the attrition period. Provide sufficient detail of each individual project as to the date of inception and completion, and the proposed methods of financing. Identify those budgeted plant additions that are in process or have already been completed. Basic assumptions underlying budgets should also be submitted including the assumptions for sales volumes
- 27 Identify all special projects from the end of the test period through the attrition period, using the criteria defined in Item 25 above, by work order number and include the estimated cost. Provide a signed authorization for each special project and identify the planned starting and completion dates
- 28 Identify by account the salvage and cost of removal for retirements provided in response to Item 25 for the last four (4) fiscal years to include the test period

- 29 Describe the LDC's budgeting process including, but not limited to the following
- a How far in advance are operating and construction budgets prepared? On what basis is the total operation and construction budget determined? Explain the "approval process" in budget development
  - b How many views or updates of the same budget year are made before a final view is adopted?
  - c Are budgets prepared on a monthly, quarterly, or annual basis?
  - d Which individual or department has overall responsibility for budgets/reconciliations?
  - e Once a final budget has been adopted, are budget to actual (reconciliation) comparisons routinely made? How frequently are reconciliations prepared and by whom?
  - f For the last two (2) completed fiscal years, provide copies of all budgets, budget to actual and indicate reasons for the variances
  - g Comparisons on a total Company, total LDC, and Tennessee only basis
  - h Provide total LDC and Tennessee Operations budgets and all supporting workpapers for the current fiscal year and next fiscal year
- 30 Provide schedules showing the development of the average Tennessee account balances listed below for the last fiscal year (If partially provided in other items, provide the remaining data here )
- a Gas Plant in Service
  - b Construction Work in Progress
  - c Inventories
  - d Deferred debits
  - e Reserves
  - f Customer Deposits
  - g Interest on Customer Deposits
  - h Contributions in Aid of Construction
  - i Accumulated Deferred FIT
  - j Accumulated Depreciation
  - k Accounts Payable applicable to CWIP
  - l Accounts Payable applicable to Materials & Supplies
  - m Customer Advances
  - n Materials and Supplies
  - o Accounts Receivable – Other
  - p Prepaids
- 31 Provide an explanation and calculation of the method used to allocate to Tennessee any portions included in Item 30 above
- 32 Provide the investment, accumulated depreciation, and deferred FIT on all property that is owned by an affiliate of the LDC, its Parent, Multi-State Utility, or Affiliated Utility

Service Company, where applicable, and leased or allocated to the LDC or Multi-state Utility. An operating division of a Multi-State Utility is not an affiliate.

## **WORKING CAPITAL**

- 33 Has the LDC updated the Lead-Lag Study since its last rate case? If so
- a Provide a copy of the Lead-Lag Study workpapers
  - b Provide the percentage of the sample tested to the total test period dollar amount for each account in the Lead-Lag Study
  - c Provide a comparison of the Lead-Lag Study used in this case with the Study used in the previous case and explain any major changes
- 34 Provide a list of all the LDC's checking accounts, identifying the nature and use for each. Provide a copy of all the LDC's bank statements for each month during the test period.

## **COST OF CAPITAL**

- 35 Provide a calculation of the LDC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, debt, equity capital and the debt and equity ratios for the last two (2) years. Show long and short-term debt, preferred stock and common equity separately.
- 36 Provide a copy of any information filed with other Regulatory Commissions (other than the Tennessee Regulatory Authority) where such information describes the Company's debt position and equity position. Provide all data submitted in the last twelve-(12) months and also on a forward-going basis.
- 37 Provide a calculation of the average composite interest cost for the long-term debt and short-term debt for the last two (2) years.
- 38 Provide the computer file showing items below for the Parent, Multi-State Utility, or Affiliated Utility Service Company, for each of the last fifteen (15) fiscal years.
- a Earnings, annual dividends declared, annual dividends paid, book value of common equity, and price of common equity (each item should be shown per average actual common share outstanding, adjusted for stock splits and stock dividends)
  - b Rate of return to average common equity
  - c Common stock earnings retention ratio
  - d For common stock not issued to the public, but issued pursuant to a) tax reduction act stock ownership plans, b) employee stock option plans, and c) dividend reinvestment plans, provide net proceeds per common share issued, and number of shares issued and previously outstanding at the beginning of the year. Provide the information separately for each of the three (3) types of plans and report each

- plan's information as annual aggregate or as an average and indicate whether you are providing an average or aggregate figure
- e For those issues of common stock sold to the public and not falling under d above, provide
- 1) Date of issue
  - 2) Number of shares issued and previously outstanding for each issue and in the aggregate
  - 3) Number of shares sold to the public
  - 4) Gross proceeds per share from the public
  - 5) Net proceeds per share from the public
  - 6) Price per share to the public
- 39 In a computer file, provide the balance for the following for each month of the latest fiscal year
- a Long- and medium-term debt by issue and aggregated
  - b Preferred stock by issue and aggregated
  - c Common equity
- 40 In a computer file, provide for each month of the latest fiscal year the balances of capital surplus. Separate the surplus between common and preferred stock. For purposes of this request, "capital surplus" means amounts paid in that are less than or are in excess of par value of the respective stock issues
- 41 In a computer file, provide the unamortized balances, if any, of gain or loss in reacquired long-term debt for each month in the latest fiscal year. Be sure to clearly identify the issue for each unamortized balance
- 42 In a computer file, provide the monthly amortization, if any, of the gain or loss on reacquired long-term debt for each month of the latest fiscal year
- 43 If applicable, provide the amount of return on investment billed to the LDC by any affiliate of the LDC for the latest fiscal year and for the attrition period. Include in your response a calculation of the return on equity percent and the amount charged for the return amount. As used in this Item 43, "affiliate" means any entity that controls, is controlled by, or is under common control with the LDC, its Parent, Multi-State Utility, or Affiliated Utility Service Company
- 44 For the latest two (2) fiscal years and for each month to the present for which data is available, provide a monthly listing of the shares of common stock sold by the LDC directly to investors and shareholders. Separate the monthly listing between stock sold through the Stock Purchase Plan of the LDC and stock sold through the Dividend Reinvestment Plan of the LDC
- 45 Provide any 10K filings made with the SEC during 2003.



Please respond by February 13, 2004 Thank you for your attention to this matter If you should have any questions, you may contact me at (615) 741-2904, ext 174

Sincerely,

*William H. Novak (by permission)*

William H Novak  
Chief  
Energy and Water Division

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